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# Personnel

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## Personnel

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	55,572,500	5,112,400	4,373,900	14,779,300	29,659,400
Salary Compensation Fund	-46,266,200				
Base Deduction	-820,900				
<b>Total General Fund</b>	8,485,400	5,112,400	4,373,900	14,779,300	29,659,400
<b>Restricted Funds</b>					
Balance Forward	14,297,700	12,244,100	10,391,000	9,578,000	8,407,800
Current Receipts	43,469,200	46,397,900	47,679,000	46,405,000	47,646,400
Non-Revenue Receipts	-502,300	2,500,000	2,000,000	2,552,400	2,054,200
Fund Transfers	-3,951,000				
<b>Total Restricted Funds</b>	53,313,600	61,142,000	60,070,000	58,535,400	58,108,400
<b>TOTAL SOURCE OF FUNDS</b>	61,799,000	66,254,400	64,443,900	73,314,700	87,767,800
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	45,051,800	47,919,900	51,328,400	57,085,400	74,872,400
Operating Expenses	7,044,900	7,805,500	7,968,800	7,683,500	7,859,100
Capital Outlay	124,300	138,000	89,900	138,000	89,900
<b>TOTAL EXPENDITURES</b>	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	8,485,400	5,112,400	4,373,900	14,779,300	29,659,400
Restricted Funds	43,735,600	50,751,000	55,013,200	50,127,600	53,162,000
<b>TOTAL EXPENDITURES</b>	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400
<b>EXPENDITURES BY UNIT</b>					
General Operations	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
Workers' Compensation Benefits and Reserve	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
Public Employees Deferred Compensation Authority	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
State Salary and Compensation Fund				8,000,000	24,000,000
State Group Health Insurance Fund	5,130,600			4,350,000	4,350,000
<b>TOTAL EXPENDITURES</b>	52,221,000	55,863,400	59,387,100	64,906,900	82,821,400

The Department of Personnel was created in 1960 under KRS 18.160. At the time of its inception, it was headed by a personnel board consisting of five members appointed by the Governor. The terms of the board members were for four years, but the first board appointed was on staggered terms. At the first meeting of the Personnel Board, the board appointed a committee of three persons to conduct an examination of qualified applicants for the position of Commissioner of Personnel. Upon the completion of the examination the board certified three names of qualified applicants from the classified service to the Governor for appointment. In 1972, the legislature authorized the Department of Personnel and made its commissioner a direct appointee of the Governor without nominations from the Personnel Board.

In 1982, KRS 18.160 was repealed and re-enacted under KRS chapter 18A.015. At this time the personnel board was abolished from this chapter of the statutes. That year also marked the time authorizing the Department to charge other state agencies their pro rata share of costs associated with the administration of the Executive Branch's personnel related functions. This was a pre-cursor to the department's "benefit assessment fee."

In 1998, the General Assembly elevated the Department to Cabinet status. As then and now, the Personnel Cabinet provides human resources management for Kentucky state government agencies. The Cabinet coordinates the personnel and payroll functions for most of state government. It coordinates state employee benefit packages, such as health and life insurance, workers' compensation, and deferred compensation programs. The Cabinet coordinates state government's employee application and testing processes, as well as recruiting and retention functions.

Currently, the Personnel Cabinet is comprised of five appropriation units: General Operations, Public Employees Deferred Compensation Authority, the Workers' Compensation Benefits and Reserve, Government Training, the State Salary and Compensation Fund, and the State Group Health Insurance Fund.

## **Policy**

Executive Order 2005-891, dated August 19, 2005, reorganized the Personnel Cabinet and its organizational structure.

The Executive Budget recommends the Office of Employee and Organizational Development (formerly the Office of Government Training) be combined into the General Operations appropriation unit for budgetary purposes.

**Personnel  
General Operations**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	3,013,600	5,112,400	4,373,900	2,429,300	1,309,400
Salary Compensation Fund	341,200				
<b>Total General Fund</b>	3,354,800	5,112,400	4,373,900	2,429,300	1,309,400
<b>Restricted Funds</b>					
Balance Forward	5,543,300	2,456,000	2,484,600	2,521,000	2,958,000
Current Receipts	13,076,700	17,152,000	17,154,000	17,152,200	17,154,000
Non-Revenue Receipts	1,048,300	2,604,700	2,108,400	2,604,700	2,108,400
Fund Transfers	-922,500				
<b>Total Restricted Funds</b>	18,745,800	22,212,700	21,747,000	22,277,900	22,220,400
<b>TOTAL SOURCE OF FUNDS</b>	22,100,600	27,325,100	26,120,900	24,707,200	23,529,800
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	13,923,900	18,492,900	18,605,200	15,511,100	15,728,300
Operating Expenses	5,550,800	6,254,300	6,393,800	6,144,800	6,290,000
Capital Outlay	104,900	93,300	76,300	93,300	76,300
<b>TOTAL EXPENDITURES</b>	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	3,354,800	5,112,400	4,373,900	2,429,300	1,309,400
Restricted Funds	16,224,800	19,728,100	20,701,400	19,319,900	20,785,200
<b>TOTAL EXPENDITURES</b>	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600
<b>EXPENDITURES BY UNIT</b>					
General Administration	2,669,800	3,315,700	3,225,500	2,648,500	2,653,600
Employee & Organizational Development	1,452,800	1,944,100	2,041,500	1,567,600	1,589,700
Employee Relations	1,440,900	1,644,300	1,783,900	1,515,100	1,597,400
Employee Insurance	6,933,500	8,662,500	8,914,000	8,154,000	8,221,300
Personnel Administration	7,082,600	9,273,900	9,110,400	7,864,000	8,032,600
<b>TOTAL EXPENDITURES</b>	19,579,600	24,840,500	25,075,300	21,749,200	22,094,600

Executive Order 2005-891 reorganized the Personnel Cabinet, including the General Operations appropriation unit. The General Operations unit includes two departments and eight offices: the Department for Personnel Administration and the Department for Employee Insurance; the Office of the Secretary, the Office of Administrative Services, the Office of Legal Services, the Office of Employee Relations, the Office of Employee and Organizational Development, the Office of Human Resources Planning and Diversity, the Office of Communications, and the Office of Merit System Referral, now defunct by testimony of the Personnel Cabinet Secretary..

The Secretary of the Personnel Cabinet provides policy and management support to the departments and offices of the Cabinet, promulgates administrative regulations, advises the Personnel Board on matters pertaining to the classified service, and conducts investigations on all matters relating to personnel statutes and regulations. Reporting to the Secretary are all department heads and office heads within the Cabinet.

The Department of Personnel Administration consists of three divisions: the Division of Employee Management, the Division of Staffing Services, and the Division of Human Resources Projects. The responsibilities of this department include recruiting, counseling, testing, and certifying persons for employment with the Commonwealth; maintaining the classification

and compensation system; auditing and certifying state payrolls; preparing and maintaining the official personnel and payroll records; and coordinating and implementing employee performance evaluation systems. In addition, the development and implementation of the replacement personnel and payroll system is coordinated through the Department of Personnel Administration. The defunct Office of Merit System Referral was organized under this department.

The Department of Employee Insurance manages health insurance coverage for state employees, local boards of education, local health departments, and other public and quasi-public agencies. It manages the Commonwealth Choice 125 benefit program for state employees and provides administrative support for the Group Health Insurance Board under KRS 18A.226 and 18A.227. There are three divisions organized under the department: the Division of Insurance Administration, the Division of Financial and Data Services, and the Division of Special Programs.

The Office of Administrative Services' responsibilities include overseeing the internal operations of the Cabinet, including personnel related matters, accounting, property management, and procurement functions.

The Office of Legal Services provides all legal services relating to the enforcement and application of state and federal laws and regulations governing employment to the Cabinet and executive branch agencies upon request.

The Office of Communications is responsible for publishing the Commonwealth Communiqué Newsletter and manages the Cabinet's communications with employees.

The Office of Employee and Organizational Development, formerly the Office of Government Training, is responsible for government wide training, consultation, and organization development, including the coordination of the Commonwealth's strategic planning and performance measurement processes.

The Office of Human Resources Planning and Diversity contains two divisions: the Division of Diversity Relations and the Division of Workforce Analytics. This office is responsible for the administration of the Commonwealth's Affirmative Action Plan and analyzing and developing a workforce planning mechanism for addressing trends in the workplace.

The Office of Employee Relations program includes two divisions, the Division of Employee Benefits and the Division of Employee Services and Recognition. The program administers the Kentucky Employee Assistance Program (which provides assistance to troubled employees), life insurance benefits for state employees, the employee suggestion system, a mediation program to help resolve employment problems, the state safety program, and the self-insured Workers' Compensation program. The Workers' Compensation program provides benefits to workers injured on the job and manages a return-to-work program. The program provides coverage for state employees, most regional universities, volunteer firemen, volunteer ambulance personnel, and various local government entities.

## **Policy**

The Executive Budget provides funds totaling \$1,705,000 in fiscal year 2007 (\$353,700 in General Fund and \$1,351,300 in Restricted Funds) and \$1,799,100 in fiscal year 2008 (\$362,200 in General Fund and \$1,436,900 in Restricted Funds) to support the personnel costs for 32 full time positions which will primarily support the self-insured health insurance program and the development and implementation of the Human Resources Information System authorized by the 2005 Regular Session of the General Assembly.

In fiscal year 2007, the Executive Budget provides General Fund of \$250,000 to support an Equal Employment Opportunity (EEO) Disparity Study and update the Commonwealth's Affirmative Action Plan.

**Personnel**  
**Public Employees Deferred Compensation Authority**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	4,125,900	4,054,100	3,745,400	4,054,100	3,745,400
Current Receipts	5,627,400	5,882,000	6,168,000	5,752,800	5,992,400
Non-Revenue Receipts	-50,600	-52,300	-54,200	-52,300	-54,200
<b>Total Restricted Funds</b>	9,702,700	9,883,800	9,859,200	9,754,600	9,683,600
<b>TOTAL SOURCE OF FUNDS</b>	9,702,700	9,883,800	9,859,200	9,754,600	9,683,600
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	5,314,900	5,745,600	5,985,100	5,628,900	5,815,400
Operating Expenses	320,800	353,600	353,800	341,100	347,900
Capital Outlay	12,900	39,200	9,100	39,200	9,100
<b>TOTAL EXPENDITURES</b>	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400
<b>TOTAL EXPENDITURES</b>	5,648,600	6,138,400	6,348,000	6,009,200	6,172,400

The Kentucky Public Employees Deferred Compensation Authority administers deferred compensation plans as established in the U.S. Internal Revenue Code Sections 457, 401(k), Roth 401(k), and 403 (b) in accordance with KRS 18A.230-18A.350 as tax-sheltered, supplemental retirement savings programs. These programs are an optional benefit for Kentucky's public employees.

**Policy**

The Executive Budget provides additional Restricted Fund support of \$259,400 in fiscal year 2007 and \$271,100 in fiscal year 2008 for seven additional staff to support an increasing number of participants joining the group.

**Personnel**  
**Workers' Compensation Benefits and Reserve**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>Restricted Funds</b>					
Balance Forward	4,628,500	5,734,000	4,161,000	3,002,900	1,704,400
Current Receipts	24,765,100	23,363,900	24,357,000	23,500,000	24,500,000
Non-Revenue Receipts	-1,500,000	-52,400	-54,200		
Fund Transfers	-3,028,500				
<b>Total Restricted Funds</b>	24,865,100	29,045,500	28,463,800	26,502,900	26,204,400
<b>TOTAL SOURCE OF FUNDS</b>	24,865,100	29,045,500	28,463,800	26,502,900	26,204,400
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	20,682,400	23,681,400	26,738,100	23,595,400	24,978,700
Operating Expenses	1,173,300	1,197,600	1,221,200	1,197,600	1,221,200
Capital Outlay	6,500	5,500	4,500	5,500	4,500
<b>TOTAL EXPENDITURES</b>	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
<b>EXPENDITURES BY FUND SOURCE</b>					
Restricted Funds	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400
<b>TOTAL EXPENDITURES</b>	21,862,200	24,884,500	27,963,800	24,798,500	26,204,400

Created in 1990, the Workers' Compensation Benefits and Reserve is state government's self-insured Workers' Compensation program. The program provides coverage to all three branches of government: executive, legislative, and judicial, but excludes the Transportation Cabinet, the University of Kentucky, the University of Louisville, and most recently all other state universities except Murray State University. The program also covers volunteer firefighters, volunteer ambulance personnel, the Fayette County Health Department and employees of a county clerk's or sheriff's office when the county's population is 70,000 or more.

The revenue accruing to the program is derived from participating agencies based upon the claims history of the agency. Claims history is calculated upon a three year running average.

**Policy**

Notwithstanding KRS 18A.375(3), in fiscal year 2006 the recommended budget authorized transfer of \$1,500,000 from the operating budget to the Workers Compensation Reserve account to restore a portion of reserve funds transferred to the General Fund in fiscal year 2003. In addition, an unbudgeted carry-forward totaling \$3,028,500 is recommended to be transferred to the General Fund.

The Governor's budget recommendation provides additional Restricted Fund appropriation of \$60,000 in fiscal year 2007 and \$63,000 in fiscal year 2008 to support one additional staff person to work with agencies to improve workplace safety with the goal of reducing workers' compensation claims.



**Personnel**  
**State Salary and Compensation Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	14,100,000			8,000,000	24,000,000
Salary Compensation Fund	-13,993,900				
Base Deduction	-106,100				
<b>Total General Fund</b>				8,000,000	24,000,000
<b>TOTAL SOURCE OF FUNDS</b>				8,000,000	24,000,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost				8,000,000	24,000,000
<b>TOTAL EXPENDITURES</b>				8,000,000	24,000,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund				8,000,000	24,000,000
<b>TOTAL EXPENDITURES</b>				8,000,000	24,000,000

The State Salary and Compensation Fund provides the additional funds needed to state agencies to finance the salary and compensation policy for state employees.

**Policy**

The Executive Budget provides additional General Fund support totaling \$8 million in fiscal year 2007 and \$24 million in fiscal year 2008 to supplement agencies that contain support from the General Fund, for the recommended salary increase policy. Each state employee will receive a salary increase representing an annualized value ranging from \$200 for the highest paid employees to \$1,000 for the lowest paid employees. The salary increase for each fiscal year will be effective in the anniversary date of each employee.

**State Salary and Compensation Policy**  
**Salary Increment**

Salary Range	Fiscal Year 2007	Fiscal Year 2008
	<b>Annualized Value</b>	
\$0 - \$20,000.00	\$1,000	\$1,000
\$20,000.01 - \$30,000.00	\$900	\$900
\$30,000.01 - \$40,000.00	\$800	\$800
\$40,000.01 - \$50,000.00	\$600	\$600
\$50,000.01 - \$60,000.00	\$400	\$400
\$60,000.01 and Above	\$200	\$200

**Personnel**  
**State Group Health Insurance Fund**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
<b>SOURCE OF FUNDS</b>					
<b>General Fund</b>					
Regular Appropriation	38,458,900			4,350,000	4,350,000
Salary Compensation Fund	-32,613,500				
Base Deduction	-714,800				
<b>Total General Fund</b>	5,130,600			4,350,000	4,350,000
<b>TOTAL SOURCE OF FUNDS</b>	5,130,600			4,350,000	4,350,000
<b>EXPENDITURES BY CLASS</b>					
Personnel Cost	5,130,600			4,350,000	4,350,000
<b>TOTAL EXPENDITURES</b>	5,130,600			4,350,000	4,350,000
<b>EXPENDITURES BY FUND SOURCE</b>					
General Fund	5,130,600			4,350,000	4,350,000
<b>TOTAL EXPENDITURES</b>	5,130,600			4,350,000	4,350,000

The State Group Health Insurance Fund provides funding to support a dependent subsidy for quasi-governmental employers participating in the State Group health Insurance program.

**Policy**

The Executive Budget provides General Fund support of \$4,350,000 in fiscal years 2007 and 2008 to support a dependent subsidy for quasi-governmental employers, excluding state agencies, participating in the State Group Health Insurance program. This is the same amount provided in fiscal year 2006.